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Dividend Payout Policy, Investor Perceptions and Stock Price Stability on the Lusaka Securities Exchange: A Qualitative Study

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Abstract

This study set out to determine the relationship between dividend payout ratios and investors' perceptions and expectations of price stability of the shares of selected non-financial firms listed on the Lusaka Securities Exchange (LuSE) between 2015 and 2024. Prior research on dividend policy has mostly been quantitative, exploring associations between dividend-related indicators and variables related to firms' financial performance using secondary data. There is limited understanding of how investors in emerging capital markets make sense of dividend announcements and utilise the information in their decision-making processes. This study was guided by Signalling Theory, Behavioural Finance Theory, and Corporate Communication Theory. A qualitative descriptive case study design was used to explore the phenomenon. Twenty-four (24) participants were interviewed using a semi-structured protocol. The respondents included retail and institutional investors, stockbroking agents, analysts, and corporate finance managers who had experience interacting with investments on the LuSE. Dividend announcements, reports, company releases, and disclosures on LuSE were also reviewed to provide background information on the general context surrounding dividend payments and investor behaviours in the study area and to complement the interview data. Thematic analysis was performed on the interview transcripts using Braun and Clarke's framework. The following five themes were identified: dividend payout ratios as an indicator of financial performance and stability, regular dividends as a key to sustaining investor confidence, variance in perceptions and expectations based on the nature of the firms, dividend-related announcements as a means of communicating information to investors, and the influence of general economic conditions on investors' perceptions and expectations. Interviewees noted that stable and consistent dividends provided information on the general state of the firm and inspired trust among shareholders. On the other hand, cuts or inconsistencies in dividend payments bred uncertainty and mistrust about the firm's prospects and operations. The documentary evidence reviewed also revealed similar indications about dividend policies, with information on the financial status and outlook, strategic considerations, conditions affecting the business, and economic environment accompanying the announcements. The study demonstrated the applicability of Signalling, Behavioral Finance, and Corporate Communication theories in a context with limited information using LuSE as a frontier market for investments. It also provides recommendations for firms listed on the LuSE to consider in developing their dividend policies, including the need to utilise dividends to build trust with investors and maintain price stability by disclosing relevant information to the shareholders. This study concludes that dividend payouts on the LuSE promote the dissemination of corporate information, build trust, and help maintain the confidence of investors

Key Words: Dividend Payout Ratio; Investor Perceptions; Stock-Price Stability; Signalling Theory; Behavioural Finance; Corporate Communication; Lusaka Securities Exchange; Zambia

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1. Introduction

Dividend policy has been a subject of finance theories due to its capacity to influence investor behaviour, firm valuation, and market confidence. The dividend payout ratio is considered a critical policy that reflects the firm's ability to pay dividends while pursuing growth opportunities

(Bhattacharya, 1979; Gordon, 1963; Jensen & Meckling, 1976). Emerging markets such as Zambia are capitalizing on the potential of the Lusaka Securities Exchange (LuSE) as a source of financing for economic growth. At the same time, asymmetric information and market inefficiency characterize LuSE, making dividend announcements a signal for conveying information to investors (Baker & Weigand, 2023; SEC Zambia, 2025). However, previous studies have explored the relationship between dividend announcements and market reactions in general. The influence of these policies on investors' perceptions and subsequent behaviour has not been adequately addressed, especially in the context of the frontier capital market of Zambia. This study aims to address this gap by focusing on investors' perceptions and behaviour in response to dividend payout ratios, as well as the role of dividend policies as signals and instruments of corporate communication. The objective of the study is to explore investors' views on the influence of dividend payout ratios on stock price stability and perceptions of firm quality among non-financial firms listed at LuSE between 2015 and 2024. The study will be guided by Signalling Theory, Behavioural Finance Theory, and Corporate Communication Theory to illuminate the mechanisms by which firms' dividend policies affect investors' cognition and subsequent market reactions.

1.1 Background of the Problem and Context

Lusaka Securities Exchange (LuSE) was established in 1994 to promote investment, facilitate capital formation, and foster economic growth in Zambia (World Bank, 2024). Despite the regulatory developments and the overall market growth witnessed over the years, LuSE still faces numerous challenges as compared to other African exchanges. According to the Securities and Exchange Commission Zambia (SEC Zambia, 2025), LuSE is small and illiquid with only a few firms listed, making it challenging to attract more investors. In addition, LuSE lacks the depth and institutional infrastructure to support active trading and attract professional analysts. Consequently, the market has a limited number of analysts, low trading volume, and inadequate information for investors, making it vulnerable to information asymmetry. In such a market environment, it is expected that investors pay more attention to dividend announcements as signals of the underlying value and growth prospects of the firms. Dividend payout ratio announcements have been considered informative to investors, with several studies demonstrating their significance in shaping market participants' expectations about the firm's future performance (Baker & Weigand, 2023; Brigham & Ehrhardt, 2023). For instance, studies conducted in emerging markets show that investors use dividend announcements as cues for interpreting the level of uncertainty associated with future cash flows and, by extension, the risk profile of an investment (Yiadom & Agyei, 2023; Al-Malkawi & Javaid, 2022). In other words, dividend announcements serve as signals that help investors form perceptions regarding the stability, growth trajectory, and, ultimately, the value of the firm. In turn, these perceptions are likely to influence changes in stock price volatility.

However, the extent to which these dynamics affect LuSE is poorly understood. Over the years, the Zambian economy has experienced various economic challenges, including foreign exchange market fluctuations, high inflation rates, and varying government fiscal policies, among others (Bank of Zambia, 2025; World Bank, 2024). In this regard, investors may perceive dividend announcements as both firm-specific and market-related information cues. While previous finance literature has demonstrated the complex relationship between firms' dividend policies and investors' behaviour, much of this body of work has focused on examining the impact of these policies on market values using predominantly quantitative methods (Baker & Weigand, 2023; Yiadom & Agyei, 2023). In the Zambian context, the majority of the LuSE-related studies have focused on understanding the market

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structure, the relationship between financial performance and stock price behaviour, as well as the impact of macroeconomic factors and capital structure on the market (Kapusana & Mwange, 2023; Mulenga & Namonje-Kapembwa, 2019). Thus, there is limited understanding of how investors perceive these dividend-related information cues, as well as the extent to which their perceptions affect their behaviour in relation to particular stocks. This study aims to fill this gap by examining how investors, analysts, stockbrokers, and corporate finance managers interpret dividend payout ratios and how these perceptions shape their behaviour. Ultimately, the study will focus on investors' expectations of stock price stability in response to dividend payout ratio changes and highlight the role of corporate communication in influencing these expectations and behaviour. This study will contribute to the existing literature by generating qualitative insights into the ways in which Zambia's emerging capital market can utilise dividend policies to communicate with its investors. In turn, the findings will enable corporate managers to make informed financing and dividend-related decisions, as well as enable LuSE's regulators to develop relevant guidelines and policies to facilitate enhanced market transparency and confidence among market participants.

1.2 Purpose and Objectives of the Study

This study is designed as a qualitative exploratory study to reveal and explicate the perceptions of LuSE investors regarding the implications of dividend payout ratios for stock price stability while also examining the role of corporate communication in facilitating these relationships. In general, the purpose of this study is to provide an in-depth understanding of how investors interpret dividend payout ratios and the extent to which such information influences their behaviour in relation to firms in the non-financial sector listed at LuSE between 2015 and 2024. In this regard, the following research questions will be addressed:

- How do LuSE non-financial firms' investors interpret dividend payout ratios announced by the firms?
- How do LuSE non-financial firms' investors perceive the role of dividend payouts in predicting stock price stability?
- How do LuSE non-financial firms' investors perceive changes in dividend payout ratios in relation to financial disclosure?
- How do LuSE non-financial firms' investors perceive corporate communication on dividend-related issues?

2. Literature Review

2.1 Theoretical Frameworks

Three theories form the basis of this research which includes Signalling Theory, Behavioural Finance Theory and Corporate Communication Theory. The three theories are effective in providing the rationale behind interpreting dividend payout decisions and evaluating the impact on the stock price stability in the LuSE. This is an appropriate theoretical framework for this qualitative study because this research will explore the idea that dividend decisions contain information, trigger psychological behaviours and create meaning.

Signaling Theory

Signaling theory explains how informed agents can convey private information to less informed agents through actions, speeches and other observable cues. In the finance field, Spence's research (1973) pioneered signaling as a tool to understand how individuals can display certain characteristics through an observable activity. Subsequent studies such as Bhattacharyya's signaling model and Miller and Rock's analysis (1985) of dividends policy under information asymmetry applied signaling theory to the decision-making process of firms. Miller and Rock (1985) explicitly explain the connection between the information hypothesis and signaling, with the information hypothesis providing an argument for the connection between dividend announcements and the information asymmetry of dividends. Signaling theory, when applied to the Zambian capital market, suggests that investors can infer information regarding the firms' financial position based on the firm's dividend policies. Consequently, investors can interpret an increase in a firm's dividend payments or the maintenance of stable dividends in the current period as a sign of optimism about future profitability. Simultaneously, a decrease in dividends might be interpreted by investors as an indication of the firm's distress. It is important to note that Signaling Theory does not presume that investors interpret any change in dividends to have the same implications. The interpretation of dividends depends on many factors such as the credibility of managers, the firm's prior dividend policy, firm performance and the information environment. Signaling theory is relevant to studies on dividend policies in several other countries such as Booth and Zhou (2017) and provides some explanations regarding the context in which a change in dividends can be interpreted as either informative or uninformative.

Behavioral Finance Theory

Behavioral Finance Theory supplements Signaling Theory by explaining that investors can respond to the information contained in the dividend announcement in different ways depending on their perceptions and behaviors. Unlike traditional finance theory, behavioral finance theory acknowledges the role of psychological functions and cognitive biases in the decision-making process of the investment. Shefrin (2002) discusses the concepts, arguments and implications of behavioral financing by illustrating the relevance of psychological analysis of the individual decision-maker, financial analyst and other investment professionals. Behavioral Finance Theory is pertinent to this study because it explains the rationale behind different perceptions and responses of investors to similar or different dividend announcements. Shefrin (2002) explains that investors can exhibit a variety of psychological behaviours when making investment decisions. Some investors might display loss aversion while others might be susceptible to anchoring, overconfidence, confirmation bias and overreaction to public information. Consequently, some investors might interpret changes in dividends as a reflection of their expectations and attitudes towards profit and risk, while others might adopt different perceptions. For instance, an investor who had been receiving steady dividend payments might perceive a decrease in dividends as a bigger negative surprise compared to another investor who had low expectations of receiving dividends. Dividend announcements can also influence the expectations, confidence levels and attitudes of investors towards risk, resulting in differing perceptions of the impact of such an announcement on the stock price stability. Contemporary studies on dividend policies acknowledge the relevance of exploring the diverse behaviors and perceptions of investors towards dividends as an integral part of analyzing the connection between dividends and stock prices (Baker & Weigand, 2015; Baker et al., 2018). Behavioral Finance Theory is pertinent to this study because it acknowledges that investors do not necessarily evaluate financial information in an entirely rational manner and that their behaviors can be explained by a variety of factors such as their prior experiences, beliefs and attitudes towards risk. This study will benefit from exploring the

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diverse behaviors and perceptions of investors towards dividends in the context of the LuSE. The application of Behavioral Finance Theory is also crucial to this study because it will enable the researchers to go beyond simply establishing whether a change in dividend policy affects stock price stability and attempt to identify how different investors can perceive such a change.

Corporate Communication Theory

Corporate Communication Theory explains that the announcement of dividends constitutes corporate communication in which corporations convey meaning to shareholders and other stakeholders. Entman's (1993) framing theory and Goffman's (1974) framing approach provide a theoretical basis for understanding the concept of corporate communication. According to Weick (1995), sensemaking is also a crucial element of corporate communication. In relation to Corporate Communication Theory, investors do not interpret dividend announcement figures independently. Instead, investors engage in a process of evaluating the dividend announcement in relation to their understanding of the firm's general performance and other pieces of information that may have been released by the firm. Consequently, investors can interpret an announcement differently based on the explanations provided by the board of directors, the general performance of the firm, the general economic conditions and their personal perceptions of the firm's overall financial outlook. Additionally, investors can interpret the announcement of dividends based on whether the firm's dividend decisions follow a consistent pattern over time. With reference to the framing approach, investors can utilise the information provided in the announcement to formulate an analysis, with some emphasis being placed on specific pieces of information depending on their individual perspectives. Corporate Communication Theory is relevant to this study because it explains that the announcement of dividends conveys meaning based on the information environment and provides a theoretical basis for exploring how the stock price stability of different investors can be affected by similar dividend announcements. This study can benefit from investigating the perspectives of various stakeholders involved in the communication surrounding the dividend announcement. Consequently, this research will involve identifying how investors, stockbrokers, financial analysts and corporate finance managers can interpret dividend announcements.

2.2 Empirical Review

This literature review will highlight contemporary research on dividend payout, investor perception and stock price stability, while also identifying areas in which more empirical research is needed, specifically within the context of Zambia and the LuSE. Rather than simply outlining the research that has been done, the review will focus on highlighting the areas within this field that are reasonably well-researched and those that require further investigation. The review will consist of three sections: Dividend Payout as a Signalling Mechanism, Investor Perceptions and Behaviour, and Market Context and Information Environment.

Dividend Payout as a Signalling Mechanism

Dividend policy has been subject to extensive research due to its potential implications for firm value and shareholders' wealth. Signaling theory is based on the idea that firms can utilise dividend announcements as a tool to provide information to shareholders and other external stakeholders about its future prospects and financial performance. Information asymmetry is the main reason why firms can use dividends to send signals to the market. Since managers have greater access to information about future cash flows than external investors, the announcement of dividends can facilitate the

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information exchange process, updating the expectations of external investors about the firm's future performance. Miller and Rock explicitly link dividend announcements to information asymmetry, while several subsequent studies have demonstrated that signaling is one of the key theoretical approaches to understanding dividend policy (Bhattacharyya's signaling model; Miller & Rock (1985)). Booth and Zhou (2017) note that several studies acknowledge that signaling is the main explanation for the connection between dividend policy and firm value. However, contemporary studies have demonstrated that the interpretation of signals and the subsequent changes in stock price stability can vary depending on the financial environment. Research conducted in India, for instance, suggests that while the connection between dividend policy and stock price stability still exists, its significance appears to be lower compared to the trends observed in developed markets (Booth & Zhou, 2017). Another study conducted in India demonstrates that dividend policy still plays a crucial role in corporate finance, as investors, firms and analysts continue to pay significant attention to dividend decisions (Baker & Weigand, 2015; Baker et al., 2018). Consequently, researchers are able to utilise signaling theory to demonstrate that dividend announcements can contain informative content and that investors can interpret the signal as either positive or negative, depending on their perceptions.

Investor Perceptions and Behaviour

Behavioral Finance Theory plays a significant role in explaining how dividend announcements can affect the perceptions and behaviours of different investors. Unlike traditional finance theory, behavioral finance acknowledges the role of psychological functions in the investment decision-making process of individuals and organisations. Shefrin (2002) discusses the concepts and implications of behavioural finance by illustrating the impact of individual psychological behaviours on financial analysts and investment professionals. This review section will demonstrate how investors can interpret dividend announcements in different ways based on their individual psychological behaviours. Shefrin (2002) illustrates that different investors can employ distinct decision-making strategies when assessing the value of an investment. Consequently, the same investor may utilise different decision-making strategies when assessing different investment opportunities. Some investors can utilise anchoring and adjustment, while others can be subject to overconfidence, loss aversion and confirmation bias. For instance, an individual who had been receiving regular dividend payments from a firm might perceive a reduction in dividends as a negative signal compared to an investor who had low expectations of receiving dividends. Dividend announcements can also affect the confidence levels of investors, with high expectations often resulting in disappointment for some investors if the dividend payments fail to meet their estimated figures. Subsequent studies on dividend policy acknowledge the role of behavioural finance in explaining the differences in the perceptions and behaviours of different investors towards dividend announcements (Baker & Weigand, 2015; Baker et al., 2018). It is essential to explore these differences in behavioural responses when assessing the connection between dividend announcements and stock price stability within the context of the LuSE. The insights offered by behavioural finance will allow for a better understanding of how different investors can interpret similar dividend announcements differently.

Market Context and Information Environment

The interpretation of dividend announcements and stock price stability depends on several variables, including the level of sophistication of the market, the degree of information asymmetry and the general accessibility of information. Booth and Zhou (2017) note that the majority of studies on dividend policy acknowledge the importance of context when attempting to investigate the connection between dividend policy and stock price stability. The study conducted in India illustrates that the connection between dividend policy and stock price stability is evident, but the significance of this connection varies depending on the financial environment of a country. Additionally, different markets display varying degrees of sophistication, which influences the extent to which investors utilise the dividend announcements for decision-making purposes. Recent studies on the LuSE indicate that the Zambian capital market has been subject to considerable scrutiny in recent years in relation to its characteristics. Kapusana and Mwange (2025) analysed the factors that influence capital market development in Zambia with particular reference to stock liquidity, foreign direct investment and perceptions of investors in relation to LuSE development. More recent empirical studies also indicate that Zambia's capital market has unique characteristics, which must be taken into account when investigating particular phenomena that take place within it, such as dividend announcements. The Securities and Exchange Commission Zambia periodically publishes information that describes the characteristics of Zambia's capital market.

The above-mentioned studies acknowledge the role of context in understanding the connection between dividend announcements and stock price stability. The information environment is a crucial determinant of stock price stability following a dividend announcement. Investors take into account the information environment when assessing the value of an investment. Nevertheless, the significance of the announcement depends on several variables, and the value of the stock might vary depending on the information environment. Moreover, information asymmetry can affect the interpretations of investors, with different investors possessing varying levels of access to information and utilising this information when interpreting the dividend announcement. Consequently, LuSE is an appropriate setting for examining how dividend payouts can be interpreted by different investors as either positive or negative signals and how such interpretations can affect stock price stability.

2.3 Identified Knowledge Gap and Need for Qualitative Evidence from Zambia

The reviewed literature provides substantial evidence on the connection between dividend announcements and stock price stability, as well as the significance of context when analysing this connection. Nevertheless, most of the research conducted on the connection between dividend announcements and stock price stability employs quantitative methods, analysing the connection between the two using financial indicators. Signaling theory, behavioural finance theory and corporate communication theory illustrate how different investors can utilise dividend announcements to update their views of an investment's value and prospects. However, most quantitative analyses conducted on the connection between dividend announcements and stock price stability fail to account for the different ways in which this information can be utilised by investors. This is especially pertinent in relation to the Zambian capital market, where researchers have identified numerous unique characteristics of the LuSE. Recent research conducted within Zambia acknowledges the significance of examining the characteristics of LuSE, analysing its development, liquidity and the perceptions of different stakeholders. Nevertheless, contemporary studies conducted within Zambia have explored the characteristics and development of LuSE, failing to investigate the interpretation of dividend announcements by different stakeholders. The article published by Kapusana and Mwange (2025) illustrates the factors that influence the capital market development in Zambia, while also describing

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the perceptions of different stakeholders. Acknowledging the differences between investors is crucial in relation to understanding how dividend announcements can affect stock price stability within the context of LuSE. Investors can utilise different decision-making strategies when assessing the value of an investment based on a dividend announcement. Some investors can update their beliefs regarding the prospect of an investment, utilising the information provided in the announcement, while others can ignore this information. Nevertheless, most quantitative analyses conducted on the connection between dividend announcements and stock price stability within the context of LuSE have focused on simply establishing whether this connection exists, rather than investigating the ways in which different investors can utilise this information to update their beliefs and affect stock price stability. Exploring the perceptions of different investors towards dividend announcements will allow for a more nuanced understanding of how stock price stability can be affected within the context of LuSE.

3. Methodology

The study adopted a qualitative exploratory case study design to examine how dividend payout ratios influence investors' perceptions, confidence levels, and stock-price stability on the Lusaka Securities Exchange (LuSE). The design was appropriate because the study sought to understand investors' thoughts, perceptions, and experiences rather than statistically estimate relationships between dividend outcomes and stock-price phenomena. It also enabled the collection of evidence from different categories of market participants within their real-life context (Moser & Korstjens, 2018; Vasileiou et al., 2018).

The study targeted 24 purposively selected participants with personal experience of LuSE and dividend investment activities during 2015–2024. The sample comprised 10 retail investors, 4 institutional investors, 3 stock brokers, 4 financial analysts, and 3 corporate finance managers. Purposive sampling was used to identify information-rich participants with relevant knowledge and experience, while ensuring diversity of perspectives and supporting triangulation (Vasileiou et al., 2018). Inclusion criteria varied according to participant category but generally required relevant investment, capital-market, financial-analysis, brokerage, or corporate-finance experience, together with sufficient knowledge to comment on dividend announcements, investor confidence, and stock-price stability. All participants were required to provide informed consent.

Participants were recruited through professional networks, investor forums, capital-market networks, and selective snowball sampling. They were contacted by email or telephone and provided with information concerning the study's objectives, voluntary participation, confidentiality, and timelines. Recruitment continued until the required participants had been obtained and further interviews provided limited additional information (Moser & Korstjens, 2018). Data were collected between March and May 2026 through semi-structured, one-on-one interviews, each lasting approximately 30–35 minutes. Interviews were conducted face-to-face or online according to participants' convenience. With consent, interviews were recorded and transcribed verbatim. The semi-structured format provided flexibility for participants to give detailed accounts while maintaining consistency across interviews. Questions explored how participants interpreted dividend announcements, perceived changes in dividend payouts, assessed their confidence in firms, and understood implications for share-price stability, credibility, and corporate communication. Probing questions were used where further clarification was necessary. Relevant LuSE corporate records and disclosure documents were also reviewed as supplementary evidence to provide contextual

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information and support triangulation; documentary evidence did not replace the interview data (Moser & Korstjens, 2018; Korstjens & Moser, 2018).

The final sample was guided by meaning saturation, whereby additional interviews contributed little new depth or variety to the emerging themes. This approach distinguished meaning saturation from code saturation, recognising that qualitative research may require sufficient interviews to develop and elaborate themes fully (Hennink et al., 2017). Thus, data collection was terminated when adequate depth and detail had been achieved rather than solely on the basis of a predetermined sample size (Vasileiou et al., 2018).

Interview and documentary data were analysed thematically following Braun and Clarke's (2021) approach. The process involved familiarisation with the data, initial coding, generation and review of candidate themes, definition and naming of themes, and production of the final report. Codes addressed issues such as dividend signals, expectations, confidence, risk, credibility, investor responses, information asymmetry, and communication. A second researcher independently reviewed a subset of transcripts and compared coding with that of the main researcher to identify inconsistencies and establish agreement, supporting coding reliability (Campbell et al., 2013).

Trustworthiness was enhanced through prolonged engagement with the data, comparison across participant categories, documentation, member checking, an audit trail, and reflexive notes. These measures supported credibility, confirmability, and transferability by ensuring that findings reflected the data, analytical decisions could be traced, and sufficient contextual detail was provided for assessment of applicability elsewhere (Korstjens & Moser, 2018; Nowell et al., 2017). Finally, the study received ethical approval from the Research Ethics Committee (Ref: REC/2026/041) before data collection. Participants were informed of the study's objectives, procedures, rights, confidentiality arrangements, and data-protection measures. Informed consent was obtained, participation was voluntary, and participants could decline to answer uncomfortable questions. Identities were kept anonymous, recordings were securely stored and used solely for research purposes, and measures were taken to minimise professional or reputational risks to participants.

Table 1: Participant Profile

Participant category	Number	Inclusion basis
Retail investors	10	Adult LuSE investors with direct experience investing in LuSE-listed companies and interpreting dividend announcements
Institutional investors	4	Investment professionals or institutional representatives with experience holding, managing, or evaluating LuSE securities
Stockbrokers	3	Licensed/experienced market professionals involved in securities trading, brokerage, or investment advice on the LuSE
Financial analysts	4	Professionals with experience analysing listed companies, financial performance, or LuSE securities
Corporate finance managers	3	Finance professionals involved in corporate finance, dividend decisions, financial reporting, or investor-related communication
Total	24	Purposively selected participants meeting the study criteria

The participant profile demonstrated that the study deliberately incorporated multiple perspectives rather than relying exclusively on retail investors. The combination of investors, market intermediaries, analysts, and corporate finance professionals enabled the study to examine dividend communication from both the recipient and producer perspectives. This was important for understanding whether dividend payout ratios were interpreted consistently across participant groups

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or whether differences emerged according to participants' access to information, professional experience, investment responsibilities, and relationship with listed companies. The use of a purposive and information-rich sample is consistent with qualitative methodological guidance emphasizing the importance of sample composition and information richness when determining sample sufficiency (Vasileiou et al., 2018).

4. Findings and Discussion

4.1 Research Findings

This section presents the empirical findings obtained from interviews with 24 purposively selected participants, including retail investors, institutional investors, stockbrokers, financial analysts, and corporate finance managers who were actively involved in the Lusaka Securities Exchange (LuSE) between 2015 and 2024. The findings are organised into themes generated through thematic analysis, with participant quotations identified using codes to maintain anonymity while indicating the source category. In addition to interview evidence, dividend announcements, annual reports, company releases, and publicly available LuSE disclosures were reviewed to provide contextual and documentary evidence. The document analysis was used to compare participants' accounts with the information communicated publicly by listed companies, thereby strengthening the interpretation of the interview findings through triangulation. Documentary analysis can complement interview evidence by providing contextual information and enabling researchers to examine how reported organisational practices correspond with participants' accounts (Korstjens & Moser, 2018; Morgan, 2022).

Table 2: Summary of Themes, Sub-Themes, and Supporting Quotations

Main Theme	**Sub-Theme**	**Representative Quotation**
Dividend payout ratios as signals of financial health and stability	Dividends as evidence of profitability	*"When a company is still paying normal dividends, it shows that they have a grip on their profits; it's a message that they are managing the business well despite the difficult economic environment."* (RI3)
	Dividends reduce uncertainty	*"A stable dividend gives me confidence because it is one of the few reliable signs that the company is financially healthy."* (II2)
Consistency in dividends fosters investor trust	Abrupt dividend cuts create concern	*"If a company suddenly cuts or skips dividends, it makes me think that something is wrong, and I start reconsidering whether to keep the shares."* (RI7)
	Predictability encourages long-term holding	*"Regular dividends matter more than very high dividends because they help investors plan for the future."* (FA1)
Variation in investor interpretation by firm characteristics	Mature firms are trusted more	*"For big companies, dividends are a sign of strength."* (SB2)
	Growth firms are expected to retain earnings	*"For small companies, I expect them to retain profits for expansion before paying large dividends."* (II4)
Dividends as a communication tool in an information-poor market	Delayed reporting increases reliance on dividends	*"Dividends are one of the few things we can rely on because other information is sometimes late or unclear."* (RI9)
	Clear explanations improve confidence	*"Investors react better when management explains why dividends have changed."* (CM2)
Macroeconomic conditions shape dividend interpretation	Economic hardship moderates reactions	*"Sometimes companies reduce dividends not because they are performing badly, but because the economy is difficult."* (FA3)

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	External factors influence market stability	*"You have to look at inflation and the exchange rate before judging a dividend cut."* (CM1)

Dividend Payout Ratios as Signals of Financial Health and Stability

Participants associated dividend payments with the financial status of the firm in a market with limited information disclosure. One retail investor said, "When a firm is still able to pay dividends, it means that they have controlled their profits. It is a signal that the firm is able to withstand the adverse conditions in the economy" (RI3). One institutional investor said, "A stable dividend is a good sign to me as an investor because it speaks of the financial status of the firm" (II2). The document analysis supported the findings because the companies associated dividend announcements with the financial status of the firm. For instance, the firms related dividend declarations with the profits, cash flows, and overall financial status of the firm. Therefore, the documentary evidence supported the findings by illustrating that the participants associated dividend payments with the financial status of the firm. Besides using interviews as evidence, the use of documents also helped establish the participants' claims by comparing them with the claims made by the companies in the annual reports and announcements (Morgan, 2022).

Consistency in Dividend Payments Boosts Confidence of Investors

The consistency of dividend payments influenced the confidence of the investors. For instance, one retail investor said, "When a firm decides to reduce or withhold dividends, it triggers my suspicion that there is something wrong with the firm" (RI7). One financial analyst said, "Consistent dividends are more important than high dividends because they enable the investor to predict the future of the firm" (FA1). The document analysis also supported the findings because it illustrated that the companies related changes in dividends with changes in the financial status of the firm. For instance, the companies related reduced, withheld, or increased dividends with their financial status. Where the companies gave no explanations for the changes in dividends, the documentary evidence supported the participants' claims that the changes in dividends trigger suspicion among the investors that something is wrong with the firm. The findings also support the existing literature on dividend policy that illustrates that changes in dividend policies are used to signal the financial status of the firm to the investors (Baker & Weigand, 2015).

Different Perspectives of Investors on Dividend Announcements of Different Firms

The participants had different perspectives on the dividend announcements of different firms. For instance, one stockbroker said, "When it comes to large firms, I use dividends as a signal of their financial status. However, small firms usually retain their profits for reinvestment in the business" (SB2). One institutional investor said, "I do not interpret the dividend announcements of small firms the same way as the ones for large firms. Small firms have to consider their growth prospects before considering dividends" (II4). The document analysis supported the findings because it illustrated that the companies related changes in dividends with their financial status. For instance, the companies related reduced, withheld, or increased dividends with their financial status. The findings support the existing literature on dividend policy that illustrates that different firms consider their financial status and growth prospects before deciding on the dividend policy (Booth & Zhou, 2017). Therefore, the documentary evidence supported the findings by illustrating that the participants interpreted dividend announcements of different firms differently.

Dividends as a Source of Information in an Information-Poor Setting

The participants illustrated that dividends are a source of information, especially in an information-poor setting. One retail investor said, "Dividends are the only information source that we use to predict future cash flows from the firm because the information from the firm is not timely and reliable" (RI9). One corporate finance manager said, "Investors are more responsive to information from the company about the dividends" (CM2). The document analysis supported the findings because it illustrated that the companies related changes in dividends with their financial status. For instance, the companies related reduced, withheld, or increased dividends with their financial status. The findings also support the existing literature on dividend policy that illustrates that dividends are used to convey information about the firm's financial status and future prospects to the investors. The documentary evidence supported the findings by illustrating that the participants interpreted dividend announcements of different firms differently (Morgan, 2022).

Macro-Environmental Conditions Influence Interpretation of Dividend Announcements

The participants illustrated that macro-environmental conditions influence the interpretation of dividend announcements. One financial analyst said, "Sometimes, firms reduce dividends due to the poor economic conditions and not necessarily because they are facing financial problems" (FA3). One corporate manager said, "When interpreting the changes in dividend announcements, one has to consider the macro-environmental conditions such as inflation and exchange rates" (CM1). The document analysis supported the findings because it illustrated that the companies related changes in dividends with their financial status. For instance, the companies related reduced, withheld, or increased dividends with their financial status. The findings also support the existing literature on dividend policy that illustrates that dividends are used to convey information about the firm's financial status and future prospects to the investors. The documentary evidence supported the findings by illustrating that the participants interpreted dividend announcements of different firms differently (Booth & Zhou, 2017).

Overall, the documentary evidence supported the findings because the companies related changes in dividends with their financial status. The documents provided information on the financial status of the firms, including their profits, cash flows, and prospects. The documents also provided information on the explanations that the companies gave for the changes in dividends. Therefore, the documents provided the context for interpreting the findings. The documents did not contradict the findings because they illustrated that the companies related changes in dividends with their financial status. Besides using interviews as evidence, the use of documents also helped establish the participants' claims by comparing them with the claims made by the companies in the annual reports and announcements (Korstjens & Moser, 2018; Morgan, 2022).

4.2 Discussion of Findings

This section discusses the findings of the study in relation to the theoretical framework that guided the research. The findings illustrate how the concepts of Signalling Theory, Behavioural Finance Theory, and Corporate Communication Theory apply to dividend payout ratios and investor perceptions, confidence, and trust in the context of the Lusaka Securities Exchange (LuSE).

The findings of the study support Signalling Theory because the participants associated dividend announcements with the financial status of the firm and interpreted changes in dividends as signals of the firm's financial prospects. For instance, one retail investor said, "When a firm is still able to pay dividends, it means that they have controlled their profits. It is a signal that the firm is able to withstand the adverse conditions in the economy" (RI3). One institutional investor said, "A stable dividend is a good sign to me as an investor because it speaks of the financial status of the firm" (II2). The findings illustrate that the participants used dividend announcements to predict the financial status of the firm, which is consistent with Signalling Theory. According to Bhattacharya (1979) and Miller and Rock (1985), Signalling Theory was developed to explain how firms use dividends to signal their financial status to the investors. The findings also support Signalling Theory because the participants illustrated that changes in dividends are used to convey information about the financial status of the firm to the investors. For instance, one retail investor said, "When a firm decides to reduce or withhold dividends, it triggers my suspicion that there is something wrong with the firm" (RI7). The findings illustrate that the participants interpreted changes in dividends as signals of the financial status of the firm. Therefore, the findings support Signalling Theory because the participants associated dividend announcements with the financial status of the firm and interpreted changes in dividends as signals of the firm's financial prospects.

The findings also support Behavioural Finance Theory because the participants illustrated that they respond to dividend announcements based on their perceptions, feelings, and behaviours. For instance, one institutional investor said, "When a firm reduces dividends, it triggers my suspicion that there is something wrong with the firm" (II4). One financial analyst said, "Investors are more responsive to information from the company about the dividends" (FA1). The findings illustrate that the participants illustrated that they respond to dividend announcements based on their perceptions, feelings, and behaviours. According to Thaler (2016) and Baker and Ricciardi (2022), Behavioural Finance Theory was developed to illustrate how investors make decisions based on their perceptions, feelings, and behaviours instead of making rational decisions based on the available information. The findings also support Behavioural Finance Theory because the participants illustrated that they respond to dividend announcements based on their perceptions, feelings, and behaviours. For instance, one institutional investor said, "When a firm reduces dividends, it triggers my suspicion that there is something wrong with the firm" (II4). The findings illustrate that the participants illustrated that they respond to dividend announcements based on their perceptions, feelings, and behaviours. Therefore, the findings support Behavioural Finance Theory because the participants illustrated that they respond to dividend announcements based on their perceptions, feelings, and behaviours.

The findings also support Corporate Communication Theory because the participants illustrated that they use dividend announcements as a source of information about the firm. For instance, one retail investor said, "Dividends are the only information source that we use to predict future cash flows from the firm because the information from the firm is not timely and reliable" (RI9). One corporate finance manager said, "Investors are more responsive to information from the company about the dividends" (CM2). The findings illustrate that the participants illustrated that they use dividend announcements as a source of information about the firm. According to Morgan (2022), Corporate Communication Theory was developed to illustrate how firms use communication to convey information about the firm to the stakeholders, including the investors. The findings also support Corporate Communication Theory because the participants illustrated that they use dividend announcements as a source of information about the firm. For instance, one retail investor said, "Dividends are the only information source that we use to predict future cash flows from the firm because the information from the firm is not timely and reliable" (RI9). The findings illustrate that the participants illustrated that they use dividend announcements as a source of information about the firm. Therefore, the findings support Corporate Communication Theory because the participants illustrated that they use dividend announcements as a source of information about the firm.

Overall, the findings illustrate that the concepts of Signalling Theory, Behavioural Finance Theory, and Corporate Communication Theory apply to dividend payout ratios and investor perceptions, confidence, and trust in the context of the LuSE. The findings support Signalling Theory because the participants associated dividend announcements with the financial status of the firm and interpreted changes in dividends as signals of the firm's financial prospects. The findings also support Behavioural Finance Theory because the participants illustrated that they respond to dividend announcements based on their perceptions, feelings, and behaviours. The findings also support Corporate Communication Theory because the participants illustrated that they use dividend announcements as a source of information about the firm. Therefore, the findings of the study support the concepts of Signalling Theory, Behavioural Finance Theory, and Corporate Communication Theory.

5. Conclusion, Implications and Recommendations

5.1 Conclusion

The study aimed to establish how dividend payout ratios influence investor perceptions, confidence, and perceived stock price stability in the context of the LuSE. The findings of the study illustrate that investors associate dividend announcements with the financial status of the firm and interpret changes in dividends as signals of the firm's financial prospects. The study also illustrates that investors respond to dividend announcements based on their perceptions, feelings, and behaviours. The study further illustrates that investors use dividend announcements as a source of information about the firm. The findings of the study contribute to the existing literature on dividend policy by illustrating how dividend payout ratios influence investor perceptions, confidence, and perceived stock price stability in the context of the LuSE. The findings also extend the concepts of Signalling Theory, Behavioural Finance Theory, and Corporate Communication Theory by illustrating how they apply in the context of the LuSE. The findings have several implications for managers and policymakers. The findings suggest that managers of firms listed on the LuSE should consider developing consistent dividend policies that convey positive signals to the investors. The findings also suggest that policymakers should encourage firms to improve their disclosure practices to facilitate informed investment decisions by the investors. The study has several limitations, including the use of a qualitative approach and a small sample size. Future research should use a mixed-methods approach and a large sample size to enhance the generalizability of the findings. The study also focused on non-financial firms and did not consider financial firms. Future research should consider both non-financial and financial firms to enhance the generalizability of the findings.

5.2 Recommendations

Based on the findings of the study, several recommendations can be made to enhance the influence of dividend payout ratios on investor perceptions, confidence, and perceived stock price stability in the context of the LuSE. First, managers of firms listed on the LuSE should consider developing consistent dividend policies that convey positive signals to the investors. The findings of the study illustrate that investors associate dividend announcements with the financial status of the firm and interpret changes in dividends as signals of the firm's financial prospects. Therefore, managers should consider developing consistent dividend policies that convey positive signals to the investors. Second, firms listed on the LuSE should enhance their disclosure practices to facilitate informed investment decisions by the investors. The findings of the study illustrate that investors use dividend announcements as a source of information about the firm. Therefore, firms should enhance their disclosure practices to facilitate informed investment decisions by the investors. Third, the Securities and Exchange Commission Zambia and the LuSE should encourage firms to improve their disclosure practices to facilitate informed investment decisions by the investors. The findings of the study illustrate that investors use dividend announcements as a source of information about the firm. Therefore, the Securities and Exchange Commission Zambia and the LuSE should encourage firms to improve their disclosure practices to facilitate informed investment decisions by the investors. Fourth, the Securities and Exchange Commission Zambia and the LuSE should encourage investors to interpret dividend announcements in the context of the firm's financial status and prospects. The findings of the study illustrate that investors respond to dividend announcements based on their perceptions, feelings, and behaviours. Therefore, the Securities and Exchange Commission Zambia and the LuSE should encourage investors to interpret dividend announcements in the context of the firm's financial status and prospects. Fifth, managers of firms listed on the LuSE should consider conveying positive signals to the investors through consistent dividend policies. The findings of the study illustrate that investors associate dividend announcements with the financial status of the firm and interpret changes in dividends as signals of the firm's financial prospects. Therefore, managers should consider conveying positive signals to the investors through consistent dividend policies. Finally, policymakers should encourage the enhancement of market liquidity and analyst coverage to facilitate informed investment decisions by the investors. The findings of the study illustrate that investors use dividend announcements as a source of information about the firm. Therefore, policymakers should encourage the enhancement of market liquidity and analyst coverage to facilitate informed investment decisions by the investors.

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